HANDS ON HARTFORD, INC.

Audited Financial Statements

December 31, 2014 and 2013

HANDS ON HARTFORD, INC.

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December 31, 2014

WHITTLESEY & HADLEY, P.C.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hands on Hartford, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Hands on Hartford, Inc. which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, and cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Hands on Hartford, Inc. as of December 31, 2014 and 2013, and the results of its operations and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whittlesey & Hadley, P.C.

Hartford, Connecticut
June 16, 2015

HANDS ON HARTFORD, INC.

Statements of Financial Position

December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets:		
Cash	$ 100,690	$ 160,587
Grants and accounts receivable	289,938	111,129
Note receivable - current	600,000	2,400,000
Inventory of gift cards	4,785	7,001
Prepaid expense	21,673	30,986
Total current assets	1,017,086	2,709,703
Property and equipment:		
Building and land	1,786,900	1,786,900
Construction in progress	362,451	136,658
Furniture and equipment	84,214	78,469
Total	2,233,565	2,002,027
Less accumulated depreciation	(74,570)	(70,404)
Property and equipment, net	2,158,995	1,931,623
Other assets:		
Note receivable - noncurrent	-	600,000
Restricted cash	3,798,204	2,007,161
	3,798,204	2,607,161
Total assets	$ 6,974,285	$ 7,248,487

The accompanying notes are an integral part of the financial statements

HANDS ON HARTFORD, INC.

Statements of Financial Position

December 31, 2014 and 2013

	2014	2013
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 7,650	$ 10,425
Current portion of capital lease obligation	-	1,765
Accrued expenses	204,130	125,541
Deferred grant revenue	315,158	15,632
Total current liabilities	526,938	153,363
Net assets:		
Unrestricted:		
Undesignated	289,258	280,956
Board designated for facility	4,461,813	5,237,209
Total unrestricted	4,751,071	5,518,165
Temporarily restricted	1,557,012	1,437,695
Permanently restricted	139,264	139,264
Total net assets	6,447,347	7,095,124
Total liabilities and net assets	$ 6,974,285	$ 7,248,487

The accompanying notes are an integral part of the financial statements

HANDS ON HARTFORD, INC.

Statements of Activities

For the year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:				
Support:				
Contributions	$ 224,682	$ -	$ -	$ 224,682
Religious contributions	43,255	-	-	43,255
In-kind food contributions	252,961	-	-	252,961
In-kind facility rent	120,000	-	-	120,000
Other in-kind contributions	49,518	-	-	49,518
Total Support	690,416	-	-	690,416
Revenue:				
Program grants	1,137,257	293,627	-	1,430,884
Resident and program fees	66,346	-	-	66,346
Interest income	7,216	358	-	7,574
Total revenue	1,210,819	293,985	-	1,504,804
Net assets released from restrictions	174,668	(174,668)	-	-
Total support and revenue	2,075,903	119,317	-	2,195,220
Functional expenses:				
Program services	2,120,623	-	-	2,120,623
Supporting services	422,374	-	-	422,374
Total functional expenses	2,542,997	-	-	2,542,997
Change in net assets	(467,094)	119,317	-	(347,777)
Other change in net assets				
Repayment of start-up costs	(300,000)	-	-	(300,000)
Total change in net assets	(767,094)	119,317	-	(647,777)
Net assets, beginning of year	5,518,165	1,437,695	139,264	7,095,124
Net assets, end of year	$ 4,751,071	$ 1,557,012	$ 139,264	$ 6,447,347

The accompanying notes are an integral part of the financial statements

HANDS ON HARTFORD, INC.

Statements of Activities

For the year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:				
Support:				
Contributions	$ 390,198	$ 3,000,000	$ 131	$ 3,390,329
Religious contributions	46,811	-	-	46,811
In-kind food contributions	250,385	-	-	250,385
In-kind facility rent	120,000	-	-	120,000
Other in-kind contributions	21,945	-	-	21,945
Total Support	829,339	3,000,000	131	3,829,470
Revenue:				
Program grants	1,476,100	44,350	-	1,520,450
Resident and program fees	77,304	-	-	77,304
Interest income	5,147	350	-	5,497
Sale of Property	3,070,818	-	-	3,070,818
Total revenue	4,629,369	44,700	-	4,674,069
Net assets released from restrictions	2,002,244	(2,002,244)	-	-
Total support and revenue	7,460,952	1,042,456	131	8,503,539
Functional expenses:				
Program services	2,080,153	-	-	2,080,153
Supporting services	346,055	-	-	346,055
Total functional expenses	2,426,208	-	-	2,426,208
Change in net assets	5,034,744	1,042,456	131	6,077,331
Net assets, beginning of year	483,421	395,239	139,133	1,017,793
Net assets, end of year	$ 5,518,165	$ 1,437,695	$ 139,264	$ 7,095,124

The accompanying notes are an integral part of the financial statements

HANDS ON HARTFORD, INC.

Statements of Cash Flows

For the year ended December 31, 2014 and 2013

	2014	2013
Operating Activities:		
Change in net assets	$ (647,777)	$ 6,077,331
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities		
Depreciation	4,166	25,358
Gain on sale of building	-	(3,070,818)
Grants and accounts receivable	(178,809)	(43,916)
Inventory of gift cards	2,216	(7,001)
Prepaid expense	9,313	(9,373)
Accrued expenses	78,589	67,335
Deferred grant revenue	299,526	(17,671)
Accounts payable	(2,775)	5,364
Net cash (used in) provided by operating activities	(435,551)	3,026,609
Investing activities:		
Purchase of property and equipment	(231,538)	(1,929,518)
Proceeds from sale of property and equipment	-	500,000
Note receivable	2,400,000	-
Additions to restricted cash	(1,791,043)	(1,553,436)
Net cash provided by (used in) investing activities	377,419	(2,982,954)
Financing activities:		
Repayment of capital lease obligations	(1,765)	(398)
Net change in cash	(59,897)	43,257
Cash, beginning of year	160,587	117,330
Cash, end of year	$ 100,690	$ 160,587
Supplemental disclosures of cash flow data:		
Interest paid	$ 120	$ 1,445

The accompanying notes are an integral part of the financial statements

HANDS ON HARTFORD, INC.

Statements of Functional Expenses

For the year ended December 31, 2014

	Program Services	Supporting Services	Total
Personnel:			
Wages	$ 751,916	$ 221,257	$ 973,173
Employee benefits	187,180	41,812	228,992
Payroll taxes	56,313	16,794	73,107
Contractual services	43,460	44,910	88,370
Other personnel related expenses	10,721	2,791	13,512
Total personnel expenses	1,049,590	327,564	1,377,154
Operating expenses:			
Activities and events	2,335	1,911	4,246
Professional services	11,915	10,650	22,565
Interest expense	-	5,799	5,799
Insurance	31,794	13,749	45,543
Office operations	9,040	4,374	13,414
Information technology	43,184	35,919	79,103
Program needs	314,343	-	314,343
Furniture and fixtures	8,506	235	8,741
Building operations	234,774	10,670	245,444
Depreciation and amortization	1,356	2,810	4,166
Total operating expenses	657,247	86,117	743,364
Total personnel and operating expenses	1,706,837	413,681	2,120,518
Other expenses:			
In-kind facility rent	120,000	-	120,000
In-kind food contributions	252,961	-	252,961
Other in-kind expense	40,825	8,693	49,518
Total other expenses	413,786	8,693	422,479
Total functional expenses	$ 2,120,623	$ 422,374	$ 2,542,997

The accompanying notes are an integral part of the financial statements

HANDS ON HARTFORD, INC.

Statements of Functional Expenses

For the year ended December 31, 2013

	Program Services	Supporting Services	Total
Personnel:			
Wages	$ 790,022	$ 165,570	$ 955,592
Employee benefits	197,680	35,479	233,159
Payroll taxes	59,752	12,701	72,453
Contractual services	57,946	37,822	95,768
Other personnel related expenses	11,322	2,252	13,574
Total personnel expenses	1,116,722	253,824	1,370,546
Operating expenses:			
Activities and events	2,662	2,291	4,953
Professional services	8,273	30,379	38,652
Interest expense	98	6,286	6,384
Insurance	30,671	11,476	42,147
Office operations	10,285	5,141	15,426
Information technology	46,463	18,443	64,906
Program needs	289,416	-	289,416
Furniture and fixtures	1,022	-	1,022
Building operations	167,016	8,052	175,068
Depreciation and amortization	18,534	6,824	25,358
Total operating expenses	574,440	88,892	663,332
Total personnel and operating expenses	1,691,162	342,716	2,033,878
Other expenses:			
In-kind facility rent	120,000	-	120,000
In-kind food contributions	250,385	-	250,385
Other in-kind expense	18,606	3,339	21,945
Total other expenses	388,991	3,339	392,330
Total functional expenses	$ 2,080,153	$ 346,055	$ 2,426,208

The accompanying notes are an integral part of the financial statements

NOTE 1 - AGENCY AND PURPOSE

Hands on Hartford, Inc. (the "Agency") is a tax-exempt, nonprofit, nonsectarian agency whose mission is to strengthen community in Hartford by responding faithfully to people in need through programs that change lives and renew human possibility.

The Agency has four focus areas and fulfills its mission through the following programs located throughout the city:

Peter's Retreat Provides safe supportive housing and intensive case management for men and women living with HIV/AIDS who would otherwise be homeless. Peter's Retreat stabilizes, enriches, and lengthens the lives of people living with HIV/AIDS. In addition, supportive services are provided to the tenants of George Beach Apartments.

MANNA (Meals, Assistance, Neighbors, Nurturing, Advocacy) is a comprehensive basic needs program comprised of Community Meals (a soup kitchen), food pantry, assistance and advocacy, backpack nutrition program and Senior Community Café (a senior meal program). The MANNA programs provide nutrition for homeless, disabled, working poor individuals, emergency food assistance for families, seniors and disabled individuals and weekend meals for seniors. The Backpack Nutrition Program provides weekend backpacks of food for Hartford school children.

Community Engagement is the backbone of our direct service sites. Volunteers who serve in any of our programs do so through the Engagement program. The Engagement program also works with large volunteer groups to facilitate large-scale service projects at Hands On Hartford and other non-profits. The Faces of Homelessness Speakers Bureau enhances service learning opportunities around homelessness.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>

The accompanying financial statements have been prepared on the accrual basis. The financial statements report information regarding the Agency's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted – Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by the Agency is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Agency or that expire by the passage of time.

Permanently Restricted – Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Agency and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law.

Tax Exempt Status

The Agency was organized as a nonprofit corporation as described under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, as such, is not subject to federal and state corporation income taxes.

If the Agency has unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

Income Taxes

The Agency did not recognize any unrecognized tax benefits and there are no unrecognized tax benefits at December 31, 2014 and 2013. The Agency's U.S. federal and state information returns prior to calendar year 2011 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Receivables

Grants receivable arising from regular operations are stated net of an allowance for doubtful accounts. Allowances are set based on assessments by management as to the collectability of individual accounts. There was no allowance for doubtful accounts for the year ended December 31, 2014 and 2013.

Property and Equipment

The Agency capitalizes all expenses for property and equipment in excess of $5,000 and a useful life greater than three years. Property and equipment is recorded at cost. Depreciation of property and equipment is reflected on the straight-line method for financial reporting purposes over the estimated useful lives of the assets. Estimated useful lives for financial reporting purposes are as follows:

Asset	Estimated Useful Lives
Building	10 years
Building Improvements	5-10 years
Furniture and Equipment	3-7 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the changes in net assets for the period.

Impairment of Long-lived Assets

The Agency evaluates long-lived assets for impairment annually or whenever events or changes indicate the carrying value may not be recoverable. If the sum of the estimated future undiscounted cash flows is less than the carrying value of the related assets, a loss is recognized for the difference between the present value of estimated net cash flows or comparable market values and the carrying value of the asset or group of assets. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment losses for 2014 and 2013.

Gifts of Long-lived Assets

When applicable, the Agency reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that it restricted by the donor is reported as an increased in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Agency recognizes grants to the extent that eligible grant costs are incurred. Receivables are recognized to the extent costs have been incurred, but not reimbursed. Deferred grant revenue represents grant advances which exceed eligible costs incurred.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors. As of December 31, 2014 and 2013, the Agency has not been informed by any agencies (including the Departments of Social Services and Mental Health and Addiction Services) of any funds which are required to be returned.

Donated Facilities, Goods and Services

The value of donated facilities and goods are recorded as revenue and expenses when an estimated amount is ascertainable. The value of rent donated by churches and other nonprofit and corporate agencies has been recorded as $120,000 and $120,000 for 2014 and 2013, respectively. The value of donated food has been recorded as $252,961 and $250,385 for 2014 and 2013, respectively. The method used to record the donated food is based on the number of pounds of food valued at wholesale cost per pound obtained from Foodshare.

Other donated items were valued based on the donor assessment of the items donated. The Agency has over 2,500 volunteers donating services for various programs which are not required to be recorded.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Permanently Restricted Net Assets, Investment Policy and Spending Policy
The Agency's permanently restricted net assets include donor-restricted funds. Net assets associated with these funds are classified and reported based on the existence of donor-imposed restrictions. The Agency's investment policy over endowment assets attempts to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. Under this policy, investment are intended to assume a conservative level of investment risk and are held in money market accounts. The Agency appropriates funds for distribution based on annual review of investment results and available net assets.

Expense allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events
The Agency has evaluated events and transactions for potential recognition or disclosure through June 16, 2015, which is the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS

Concentrations of Credit Risk
Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of temporary cash investments and receivables. Concentrations of credit risk with respect to grants receivable are limited to contractual agreements with various federal and state agencies. Concentrations of credit risk with respect to contributions receivable are limited to contributions from various faith communities, businesses and individuals in the Hartford area. The Agency maintains temporary cash investment with high-credit quality financial institutions. At times, such amount may exceed federally insured limits.

Funding Source Concentrations
The following grantor agencies provided over 10% of the Agency's total support and revenue for the year ended December 31, 2014 and 2013:

Granting Agency	2014 Revenue	2013 Revenue
Department of Housing	$ 547,888	$ -
	25%	0%
Hartford Hospital	$ -	$ 3,000,000
	0%	35%

NOTE 3 – CONCENTRATIONS (CONTINUED)

The Hartford hospital donation is designated by donor to be used for the purchase of real estate and construction of a new facility.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2014, temporarily restricted net assets are available for the following purposes and amounts:

	2014	2013
Contributions for use in specific programs	$ 12,039	$ 708
Investment endowment earnings	2,059	1,701
Contributions restricted for future years	1,542,914	1,435,286
	$ 1,557,012	$ 1,437,695

Included in contributions restricted for future years is $-0- and $314,394 of restricted cash as of December 31, 2014 and 2013, respectively.

NOTE 5 - PERMANENTLY RESTRICTED NET ASSETS

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Agency classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated by expenditure by the Agency in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Agency and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Agency
7. The investment policies of the Agency

NOTE 5 - PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,059	$ 139,264	$ 141,323

Changes in endowment net assets for the year ended December 31, 2014 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 1,701	$ 139,264	$ 140,965
Investment income	-	358	-	358
Contributions	-	-	-	-
Restriction releases	-	-	-	-
Endowment net assets, end of year	$ -	$ 2,059	$ 139,264	$ 141,323

Endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,351	$ 139,264	$ 140,615

Changes in endowment net assets for the year ended December 31, 2013 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 1,351	$ 139,133	$ 140,484
Investment income	-	350	-	350
Contributions	-	-	131	131
Restriction releases	-	-	-	-
Endowment net assets, end of year	$ -	$ 1,701	$ 139,264	$ 140,965

As of December 31, 2014 and 2013, donor-restricted endowment funds in the amount of $139,264 for both years are classified as permanently restricted net assets. The earnings on these funds are to be used to support hunger abatement.

NOTE 6 - PENSION PLANS

The Agency maintains a 401(k) Profit Sharing Plan and Trust, (the "Plan") covering all eligible employees. All employees are eligible upon hire. Employer contributions are made at the discretion of the Agency's Board of Directors. Employer contributions for the year ended December 31, 2014 and 2013 were $9,920 and $-0-, respectively.

NOTE 7 - COMMITMENTS: LEASE OBLIGATION

The Agency leases office space under a non-cancelable operating lease, which expires in September 2015. Monthly rent expense is $2,000. Future minimum lease payments for operating leases that have initial or remaining non-cancelable terms in excess of one year in each of the years subsequent to December 31, 2014 are as follows:

Year Ending December 31	Amount
2015	$ 18,000

For the year ended December 31, 2014 and 2013, rent expense was $20,400 and $20,400, respectively.

NOTE 8 – NOTE RECEIVABLE

On June 11, 2013, the Agency signed a purchase and sale agreement for its building located at123 Retreat Avenue, Hartford, Connecticut for $3,500,000. The sale price will be received in installments as a promissory note with the final installment scheduled upon closing when Peter's Retreat moves out of the building. At December 31, 2014 the balance on the note receivable is as follows:

Year Ending December 31	Amount
2015	$ 600,000

Per the note, interest will accrue at $8,333 per month, net of expenses incurred until Peters Retreat moves out of the building. At December 31, 2014 and 2013, accrued interest was $143,836 and $57,167.